

Message Text

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70

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 AGR-20 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-04 USIA-15 PRS-01 H-03 L-03 IGA-02

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 732

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EO 11652: N/A

TAGS: EFIN, PN

SUBJ: NEW BANK LOANS FOR AGRICULTURAL DEVELOPMENT

BEGIN UNCLASSIFIED

SUMMARY: DURING THE PAST WEEK, LOCAL BANKS HAVE PROVIDED B/11 MILLION IN CREDITS FOR AGRICULTURE. THE FIRST NATIONAL CITY BANK PROVIDED B/2.2 MILLION FOR AGRICULTURAL COOPERATIVES. SECURITY PACIFIC INTERAMERICAN LOANED B/2.3 MILLION TO THE AGRICULTURAL DEVELOPMENT BANK (BDA), AND A GROUP OF 22 BANKS PROVIDED B/6.6 MILLION TO THE BDA. END SUMMARY

1. ON MAY 21 AND 22, 1974, THE LOCAL PRESS HEADLINED A LOAN OF B/2.2 MILLION BY THE FIRST NATIONAL CITY BANK TO THE FEDERATION OF AGRICULTURAL COOPERATIVES (COAGRO) WHICH, ACCORDING TO COAGRO GENERAL MANAGER RAUL OCTAVIO SIERRA, WILL BENEFIT TWENTY THOUSAND HECTARES OF LAND CULTIVATED BY TEN THOUSAND FARMERS BELONGING TO COOPERATIVES AND ASENTAMIENTOS (STATE COMUNAL FARMS). THE LOAN IS FOR THE LIMITED OFFICIAL USE

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PURCHASE OF FERTILIZERS, FUNGICIDES AND OTHER AGRICULTURAL

SUPPLIES NEEDED FOR THE CURRENT YEAR AND, ACCORDING TO THE PRESS REPORTS, WILL ENABLE ORDERS TO BE PLACED IN SUFFICIENT TIME TO SAVE ON COSTS AND ASSURE THE ACQUISITION OF ITEMS IN SHORT WOULD SUPPLY. THE CENTRAL GOVERNMENT PROVIDED ITS GUARANTEE FOR THE LOAN.

2. ON MAY 23, 1974, THE LOCAL PRESS CARRIED SEVERAL ARTICLES DESCRIBING A LOAN OF B/6.57 MILLION FROM A GROUP OF TWENTY-TWO LOCAL BANKS (ONE PANAMANIAN AND TWENTY-ONE FOREIGN OWNED) TO THE BDA, AN AUTONOMOUS GOVERNMENT AGENCY. U S BANKING INSTITUTIONS PARTICIPATING INCLUDE FIRST NATIONAL CITY BANK (B/1.0 MILLION), CHASE MANHATTAN BANK (B/1.0 MILLION), FIRST NATIONAL BANK OF BOSTON (B/300,000), REPUBLIC NATIONAL BANK AND MARINE MIDLAND BANK. THE PURPOSE OF THE LOAN IS TO PROVIDE FUNDS TO THE BDA FOR RELENDING TO SMALL FARMERS WHO WOULD NORMALLY NOT HAVE ACCESS TO PRIVATE BANK CREDIT. THE TERMS OF THE LOAN INCLUDE REPAYMENT IN TEN YEARS WITH TWO YEARS GRACE AND INTEREST AT ONE PERCENT ABOVE THE LONDON INTERBANK RATE.

3. ALTHOUGH NOT YET ANNOUNCED IN THE PRESS, SECURITY PACIFIC INTERAMERICAN S.A. ALSO FORMALLY SIGNED A LOAN OF \$2.3 MILLION TO THE BDA TO FINANCE MERCHANTS' INVENTORIES OF AGRICULTURAL SUPPLIES IN ORDER TO ENABLE THEM TO MAKE TIMELY ACQUISITION OF ADEQUATE STOCKS. END UNCLASSIFIED

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COMMENT: ALTHOUGH ESSENTIALLY FOR THE SAME PURPOSE, THE TERMS OF THE LOANS DIFFERED SUBSTANTIALLY. TERMS OF SECURITY PACIFIC'S FIRST SUBSTANTIAL LOAN IN PANAMA REQUIRE REPAYMENT IN ONE YEAR AT 1 3/8 PERCENT OVER THE LONDON INTERBANK RATE. THESE TERMS ARE CONSIDERABLY DIFFERENT FROM THOSE OF THE ABOVE DESCRIBED LOAN BY THE GROUP OF TWENTY-TWO BANKS WHICH HAD BEEN ORIGINALLY SOLICITED BY THE MINISTER OF FINANCE THREE OR FOUR MONTHS AGO. AT THAT TIME HE REQUESTED THAT THE LOAN CARRY INTEREST AT ONLY .05 PERCENT ABOVE THE INTER-BANK RATE WITH AN 11 PERCENT CEILING. THE B/6.57 MILLION PROVIDED BY THESE BANKS FELL APPROXIMATELY TWO MILLION BALBOAS SHORT OF THE ORIGINAL REQUEST. ON THE OTHER HAND, LIMITED OFFICIAL USE

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THE FIRST NATIONAL CITY BANK LOAN, WHICH REQUIRES PAYMENT IN 18 MONTHS, DOES CARRY THE 11 PERCENT CEILING. AN OFFICER OF THE BANK STATED THAT THEY ARE PRESENTLY LOSING MONEY ON THE LOAN. END COMMENTS.
JORDEN

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